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SUBJECT: SCENESETTER FOR DAS KROL VISIT NOVEMBER 10-13

REF: 08 DUSHANBE 760

Classified By: Ambassador Tracey A. Jacobson for reasons 1.4(b) and (d)

¶1. (U) Embassy Dushanbe looks forward to the upcoming visit of DAS George Krol. Following is a brief overview of the current situation in Tajikistan and our thoughts on the key issues DAS Krol will confront during his visit.

POLITICAL OVERVIEW - STAGNATION IN THE FACE OF ADVERSITY

¶2. (C) Little has changed in Tajikistan's policies since your last visit. The country approaches its next winter ill-prepared for the inevitable power shortages and intensified food insecurity. The GOTI claims it has stockpiled food and fuel, but we cannot verify this and other donors report a continuing unwillingness by the GOTI to coordinate with them. The global financial crisis has yet to hit ordinary Tajiks, as the remittances from Russia which support so many continue to pour in. However, a downturn in the Russian construction sector could have serious impact on Tajikistan. If this happens in the next few months, it could hit Tajikistan simultaneously with less money for food during the difficult winter period, and possibly more unemployed Tajiks returning home with no job prospects.

¶3. (C) If the Government is feeling any effects from the financial crisis and the decline of world aluminum prices by over a third since July, it is not yet evident. The Government continues to make payments for construction of the massive \$300 million presidential palace in the center of Dushanbe, which will be complete in December. Work on other presidential dachas around the country goes on.

¶4. (C) Tajikistan's political leadership continues to stagnate, with some signs of increased intolerance of alternate viewpoints. The Government appears to be increasing pressure on foreign religious organizations, by deporting religious NGO staff and banning activities of some churches, such as the Jehovah's Witnesses. For other motivations, namely property expropriation, the Mayor of Dushanbe is forcing the U.S. affiliated Grace Sun Min Church out of property it legally acquired several years ago. The Mayor has reportedly told his staff he is "unafraid" of the U.S. Embassy, which has sent diplomatic notes on behalf of the Church and monitored legal proceedings in the case. Observers of the case use it as an example of the Mayor's willingness and ability to manipulate the court system, getting the judge in the case to make rulings that contradict the facts and the law. There has been a U.S. congressional inquiry concerning this case. In other fields, the Foreign Ministry has refused to meet with Department officials that it invited to Tajikistan to discuss the Nuclear Smuggling Outreach Initiative, and the Ministry of Justice has rebuffed efforts by donors to assist in rewriting the criminal procedure code.

POLITICAL SONG AND DANCE

15. (C) Rahmon has attempted to firm up his control of the regions in the face of opposition which has been violent on at least one occasion. In response to demonstrations last spring against government activities in Badakhshan, and the February killing of the national police special unit commander during an attempted arrest in Gharm, Rahmon recently traveled to both regions, bringing clothing, computers, tractors, and other "gifts" for the local population (he also has brought hundreds of dancers and singers on these regional visits). In the case of Badakhshan, contacts there report that the President's July visit was a success, in that it undermined any legitimacy that local protest organizers had (they were reportedly drug smugglers angry at government pressure on them, despite the ostensibly political reasons for the demonstrations). The early October visit to Gharm is harder to assess. The region is generally anti-government, but Rahmon showed that he could go there and get some results; the local police officer and ex-oppositionist who was behind the killing of the police special unit commander agreed to step down and have his unit disbanded. He also turned in several weapons, although sources in Gharm dismiss the handover as small in comparison to the numbers of illegal weapons floating around the area. President Rahmon's nascent personality cult was on display during the Rasht visit; excessive and repetitive television coverage of his public meetings there featured locals calling him "king of kings" and saying there was no need for any further elections in Tajikistan.

16. (C) Tajikistan's long-term political and developmental challenges have not gone away. Economic flight of Tajiks to Russia continues, and in rural areas embassy contacts report that boys as young as their mid-teens are now leaving to look for work abroad. More women are leaving as well, as are those with higher education. The embassy does not see an imminent threat from conservative Islamic movements, but the Government's fear of fundamentalist Islam is obviously increasing. In mid-October the Government announced that the Salafi movement would be banned, and Salafis are now barred from mosques (as are women and boys under eighteen years old). Identifying Salafis is a mysterious process, but to the degree that they exist in Tajikistan they will certainly be driven underground and further radicalized by this measure.

ECONOMIC STEPS, AND MISSTEPS

17. (C) The Government says it plans to develop domestic sources of alumina to supply the giant Talco aluminum plant at Tursunzade, however this plan is years away from execution. As noted above, low aluminum prices are likely reducing revenues from Talco. The international press has reported extensively on the lawsuit involving Talco in London. Tajikistan has reportedly spent over \$150 million) approximately 5% of the country's 2007 GDP) pursuing a case that experts give it very little chance of winning. Trial proceedings have commenced in the case, in which Tajikistan is pursuing the old Talco management for stealing Talco revenue, and the old management team has lodged counter accusations of massive fraud. An audit of Talco is in the offing, as part of the Government's agreement with the IMF to resolve the latest misreporting scandal; but whether the audit will encompass the offshore company through which Talco's revenues reportedly flow is still in doubt. The audit and staff monitoring program at the Central Bank is due to conclude by November 10, with a preliminary report to come out by the end of the month.

18. (SBU) In late-August Tajikistan and Afghanistan signed a Power Purchase Agreement for electricity supplies from Tajikistan to Afghanistan, opening the door to ADB financing to construct a 220 kv transmission line to Kunduz by spring 2010. The Government is funding construction of the giant Rogun Dam project, to the tune of \$50 to 100 million per

year, but it has so far been unable to secure international involvement in the project.

¶9. (C) Reform of the agricultural sector continues to be largely rhetorical; farmers are still forced to grow cotton, students are forced to pick it, and a few well-connected investors continue to squeeze everyone else with unfair labor practices and below-market prices. G/TIP recently visited Tajikistan, and expressed concern about students forced to pick cotton. The New York Times has also picked up on abuses in the Tajik cotton sector. The cotton sector is headed for serious troubles; disruptions last year due to extreme cold and financial uncertainties stemming from delays in land reform legislation, have led to a low harvest this year. Cotton investors will likely respond to this situation by squeezing farmers even more.

THE ECONOMY - TAJIKS LOOK FOR THE EXITS

¶10. (C) Estimates are for inflation to reach 20% this year, and prices for basic foodstuffs are often double last year's prices. With few legitimate business opportunities in Tajikistan, and deteriorating education and other public services, much of the population relies on remittances from Tajiks working abroad. Anecdotal evidence suggests that the percentage of Tajiks who move abroad to seek permanent or temporary work) estimated at 50 percent of the working population) is increasing. Tajik social indicators are declining, health care and educational systems are degenerating, and young Tajiks are arguably worse prepared for life than those who grew up under the Soviet Union. The business climate is not improving. Tajikistan remains a remarkably difficult place to do business, and the climate shows few signs of improving.

¶11. (C) Last year's unusually harsh winter damaged crops and seed stores. It was followed by drought and locust infestations in spring and early summer, resulting in lower food production this year. Combined with mounting agricultural debts and rapidly increasing food prices, rural families who sold their tools and livestock to survive last winter are headed into the next winter in poor shape to deal with its difficulties. Tajikistan is highly dependent on imports for its food supply and is vulnerable to the ongoing worldwide food price increases. We expect food insecurity to worsen. Tajikistan badly needs continuation of the agricultural development assistance funded by Food for Peace.

BUSINESS AND INVESTMENT CLIMATE

¶12. (C) International investors do not view Tajikistan as a viable place to do business. Would-be investors, large and small, find themselves stymied by corruption at all levels, and local investors have been the targets of property grabs by the well-connected. Foreign investors must also overcome restrictive visa rules, lack of air connections, and the government's suspicion of foreign involvement in any sphere. What little foreign investment exists is state-sponsored or directed from Iran, China, and Russia. The President has formed an Investment Council, including participation of foreign investors, and attended a meeting with American businesses in New York during the UNGA. While the meeting in New York saw some frank comments from would-be investors, it is too soon to tell whether they will have any impact on Rahmon.

COOPERATION WITH THE UNITED STATES

¶13. (C) The Bridge: Use of the Tajikistan-Afghanistan bridge at Nizhny Pyanj is relatively static, with some 150 to 200 trucks a day crossing it in either direction. Several obstacles to full use of the bridge remain: there are still no provisions for pedestrian traffic, it is difficult for Afghans to obtain a Tajik visa because of bureaucratic delays and demands for bribes from Tajik officials, and both sides are moving slowly to finish and occupy the border facilities at the site. The inspection facilities on the Tajikistan end

of the bridge are almost complete, and the Government took legal possession of them this August. We are working with the PRT in Kunduz to bring the Tajiks and Afghans together to take steps to open the bridge to more traffic.

¶14. (C) Narcotics: Cooperation on narcotics continues to be a relative bright spot, but only superficially. While Tajikistan's law enforcement and security services seize more narcotics than other Central Asian state (and overall narcotics seizures were up 19% over 2007), they are not willing to take on the arrest and prosecution of narcotics smuggling ring leaders, some of whom are politically well-connected. We promote and see active and productive cooperation between the Tajik, Kyrgyz, and Afghan drug agencies. In a mid-October speech, President Rahmon called for joint Tajik-Afghan law enforcement training. While we welcome and will vigorously pursue this opening, Border Guard and Committee on National Security generals have obstructed any forward movement on joint training of their service personnel in the past.

¶15. (C) Security Cooperation: Security Cooperation remains a strong part of our relationship, as we pursue shared interests in building stability in Afghanistan. Tajikistan's Ministry of Defense is opening up to cooperation with Afghanistan. The Tajikistani Military Institute will begin training 30 officers from Afghanistan in November 2008. This seems to be a sincere effort to assist in the process of building stability in Afghanistan, and stands in sharp contrast to the refusal of Tajikistan's Border Guards to allow joint training with Afghan counterparts in the past. Tajikistan has also accepted the Global Peacekeeping Operations Initiative, funded at \$1.5 million, with additional follow-on funding of another \$1 million, and are forming an interagency commission to explore the standup of a peace keeping unit.

¶16. (C) Regional Integration: Efforts to spark regional integration between Tajikistan and Afghanistan, and more broadly between Central and South Asia, have seen some successes since your last visit. In August Tajikistan signed a commercial power purchase agreement with Afghanistan, paving the way for sales of seasonal hydroelectricity to the Afghan grid starting in spring 2010. In late-October the USG hosted a conference of Central and South Asian aviation sector officials and companies, to foster quicker integration of their markets. USTDA and State Department are following up on this conference to implement a consultative mechanism to address issues raised there. However, Tajikistan's relations with Uzbekistan remain poor, and there has been no progress toward resolution of Uzbekistan's opposition to construction of the Rogun Dam.

ISSUES FOR YOUR VISIT: THE IMF, CHURCHES AND NGOS

¶17. (C) IMF/Assistance: In the wake of the misreporting scandal with the IMF, in which the Central Bank obtained debt relief under false pretenses, international donors are still very skeptical of Tajik government financial plans and pronouncements. The audit of the Central Bank is underway, and the Bank has made its first scheduled debt repayment to the IMF.

¶18. (C) Tajikistan is backsliding on democracy and civil society development. Corruption remains rampant, and government attempts to control it are viewed by observers as insincere and ineffective. The government continues to attempt to control all aspects of religious life, monitoring mosques, guiding the selection and appointment of imams, and harassing or expelling religious organizations that are deemed to be "foreign influences."

¶19. (C) Our dismay at the expulsion of NDI apparently made no impression on the Government of Tajikistan. Since NDI's departure, the government has continued to harass NGOs, even those) such as Mercy Corps) that are involved in non-controversial humanitarian development work. There has

been a rash of Tajikistani officials who have balked at participating in U.S. Government-funded programs or meeting with U.S. Government employees.

COMMENT: IS THE SLOW-MOTION TRAIN WRECK GAINING SPEED?

¶20. (C) Comment: Constriction of political space, intolerance of religion, obstruction of foreign assistance and investment, a leadership single-mindedly committed to personal enrichment, short-term gain, and control of the economy at the expense of economic growth; these factors have retarded Tajikistan's development and driven hundreds of thousands of Tajiks to emigrate. Embassy's earlier analyses predicted these would lead to an eventual breakdown, but not for several years. We are watching closely to see whether the global financial crisis should change our time calculus. Tajikistan's banking sector is isolated, but the country is highly food-insecure and vulnerable to disruptions in the Russian economy or decline in the world price of aluminum.
End Comment.
JACOBSON